

Moco bill would funnel tax credits to biotechs

By Vandana Sinha
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Montgomery County is taking a page from Maryland's book on how to support young biotech companies in the perennial money hunt.

County Councilman Mike Knapp, D-District 2, has introduced a bill that mirrors a popular tax credit the state offers angel investors of biotech companies, members of an industry that is often in great need of the millions of dollars it takes to create a viable product — and has a tough time reaching that money.

The county bill piggybacks on the state program, allowing Montgomery to match 50 percent of a maximum \$250,000 state tax credit allowance for qualified biotech investors in a given year.

But also similar to the state program, the county fund is subject to an obstinately anorexic budget. Although the state couldn't increase its \$6 million in set-asides for these tax credits as planned this year, it did save that fund from being eliminated altogether.

Knapp estimates the county would need roughly \$2 million for the state's tax credit beneficiaries based in Montgomery County. He acknowledges finding those funds may be a hard-fought battle. Though, he turned

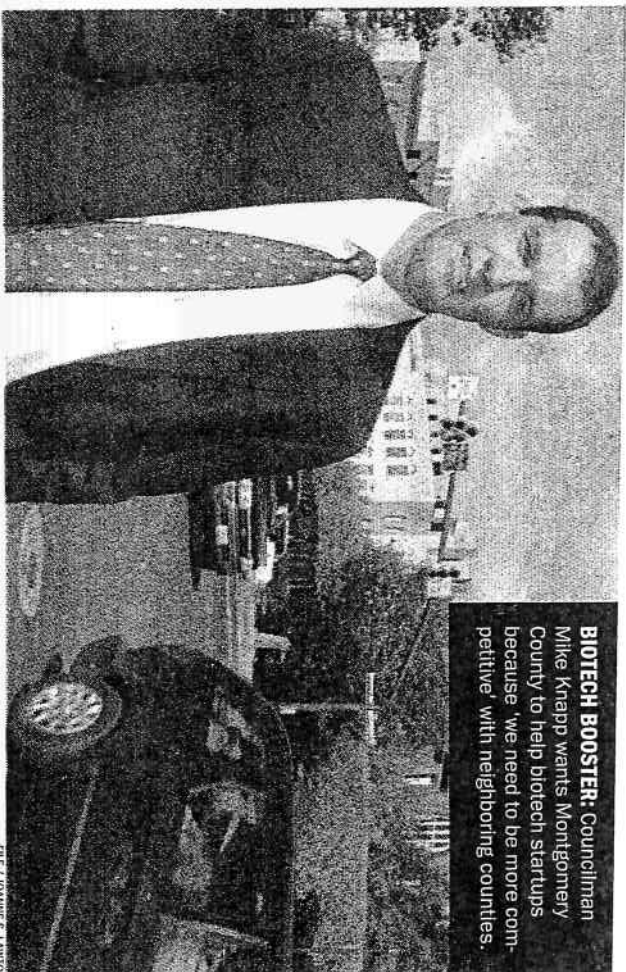
to a familiar argument: There is also a cost to not offering the tax credit, a first-come, first-served system at the state level that has needy biotechs lining up and sleeping out the night before in desperate hopes of winning the crucial credits.

"We've recognized that we need to be more competitive — lots of other jurisdictions have jumped on that [life sciences economic] bandwagon," said Knapp, who's joined by council members Valerie Ervin, George Leventhal, Nancy Floreen and Duchy Trachtenberg as bill co-sponsors. "I don't think we've done anything wrong. But they all got very focused. I don't think our focus has necessarily kept up."

Montgomery County had included this measure in a new countywide biotech strategy released late last year as other local jurisdictions step up their biotech efforts.

Prince George's County is exploring a new biotech campus, while Fairfax County snagged a new medical research institute aiming to employ nearly 500 scientists in five years. Indeed, Virginia, long criticized for not focusing on biotech, implemented similar tax credits for biotech investors last year and is now mulling a proposal to exempt income related to biotech investments from capital gains taxes.

Montgomery County economic develop-



BIOTECH BOOSTER: Councilman Mike Knapp wants Montgomery County to help biotech startups because 'we need to be more competitive' with neighboring counties.

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ment officials agree that county-based tax credits could be a sturdy tool in attracting biotechs. In 2008, Montgomery County supplied half of the 18 biotechs that qualified for the state tax credits, bringing in \$3.4 million, or 54 percent of the state pot, for their investors.

"These are early-stage companies that can literally locate anywhere," said Janis Pitts, a county business development specialist who focuses on the biotech sector. "This kind of tips their hat" toward Montgomery.

Montgomery County's delegation to the state General Assembly has pushed a bill it hopes rewards the county's own coffers for backing a biotech company. The new state bill would give authorization for the county Department of Economic Development to make an equity investment in these com-

panies — and reap the returns of successful investments.

Though, that also means suffering the risks of failed investments.

"The reality is we take a risk anyway" with the county's current loan and grant offerings, Pitts said. "We're betting on their success. If they are successful, and there again is the if, then they do pay [loans] back. But if they don't, this is a similar situation in that we're out of those funds. We're just not getting the type of return we would get if we had a position in the company."

Although it's an unusual role for a public agency, Pitts argues for its increasing importance. "That is a prerequisite to economic development," she said. "If companies don't have investments, they don't create jobs."

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